Public Bank (PBK MK)

3Q25: Strong Recovery In Non-Interest Income

BUY (Maintained)

Share Price	RM4.30
Target Price	RM5.25
Upside	+22.1%

Analyst(s)
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Highlights

- **3Q25 earnings are in line,** with 9M25 earnings representing 74%/75% of our/consensus full-year estimates.
- **3Q25 earnings rose 5% qoq** despite an 8bp NIM compression after July's 25bp OPR cut. Growth was driven by a 19% qoq rise in non-interest income - unit trust (+17%) and trading (+21%) - and lower net credit cost of 1bp, with asset quality remaining benign
- **Maintain BUY and target price of RM5.25** (1.66x 2026F P/B, ROE: 12.6%). We remain positive on Public Bank, with its valuation near pandemic lows (-1.5SD below historical mean P/B) supported by potential provisions writebacks and capital management upside.

3Q25 Results

Year to 31 Dec	3Q25 (RMm)	3Q24 (RMm)	yoy % chg	9M25 (RMm)	yoy % chg
Net Interest Income	2,370.8	2,406.3	(1.5)	7,161.8	1.7
Islamic Banking	466.6	437.5	6.6	1,377.6	8.7
Fees & Commissions	565.0	572.6	(1.3)	1,633.5	(0.9)
Net Investment Income	89.2	15.6	473.7	196.6	166.6
Other Operating Income	233.2	145.7	60.0	607.4	80.7
Total Income	3,724.8	3,577.7	4.1	10,977.0	5.9
Operating Expenses	(1,268.7)	(1,224.0)	3.6	(3,827.6)	5.7
PPOP	2,456.1	2,353.7	4.3	7,149.3	6.0
Provision on loans and investments	(15.3)	16.2	(194.4)	(92.3)	74.2
PBT	**2,452.6**	**2,448.9**	**0.1**	**7,098.8**	**3.5**
Net Profit	**1,842.6**	**1,912.5**	**(3.7)**	**5,348.1**	**0.0**
EPS (sen)	9.5	9.9	(3.7)	27.6	0.0
DPS (sen)	0.0	0.0	n.a.	10.5	5.0
BVPS (RM)	3.02	2.86	5.5	3.02	5.5
Financial Ratios (%)	**3Q25 %**	**3Q24 %**	**yoy +/- ppt**	**2Q25 %**	**qoq +/- ppt**
NIM	2.10	2.24	(0.14)	2.18	(0.08)
Loan Growth, yoy	6.5	6.5	(0.0)	5.8	0.6
Deposit Growth, yoy	5.0	4.0	0.9	3.8	1.2
Loan/Deposit Ratio	98.1	96.6	1.5	97.8	0.3
Cost/Income Ratio	34.1	34.2	(0.2)	35.6	(1.5)
ROE	12.6	13.7	(1.1)	12.2	0.4
NPL Ratio	0.5	0.6	(0.1)	0.5	(0.0)
Credit Costs (bp)	1.0	(2.0)	3.0	3.1	(2.2)
CET-1 CAR	13.8	14.3	(0.5)	14.0	(0.2)

Source: Public Bank, UOB Kay Hian

Analysis

- **In line.** Public Bank reported 3Q25 net profit of RM1.84b (-3.7% yoy, +4.7% qoq), bringing 9M25 earnings to RM5.35b, broadly flat. 9M25 earnings are in line, representing 74%/75% of our/consensus full-year estimates.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net interest income	9,055	9,451	9,770	10,342	10,932
Non-interest income	2,476	2,823	3,032	3,181	3,337
Net profit (rep./act.)	6,649	7,118	7,274	7,709	8,117
Net profit (adj.)	7,138	7,118	7,274	7,709	8,117
EPS (sen)	34.3	36.7	37.5	39.7	41.8
PE (x)	11.7	11.7	11.5	10.8	10.3
P/B (x)	1.5	1.5	1.4	1.4	1.3
Dividend yield (%)	4.4	4.4	5.2	5.5	5.8
Net int margin (%)	2.19	2.20	2.15	2.15	2.14
Cost/income (%)	33.7	34.5	35.1	35.5	36.0
Loan loss cover (%)	181.8	166.2	184.1	205.7	235.9
Consensus net profit	-	-	7,340	7,674	8,108
UOBKH/Consensus (x)	-	-	0.99	1.00	1.00

Source: Public Bank, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Financials
Bloomberg ticker	PBK MK
Shares issued (m)	19,410.7
Market cap (RMm)	83,466.0
Market cap (US$m)	20,113.7
3-mth avg daily t'over (US$m)	17.1

Price Performance (%)

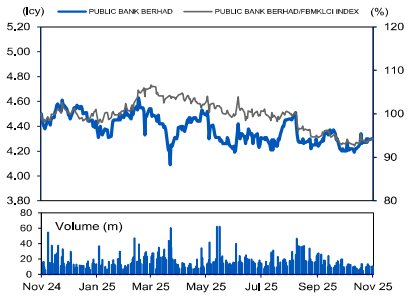
52-week high/low				RM4.70/RM4.03
1mth	3mth	6mth	1yr	YTD
2.4	(3.4)	(4.4)	(3.8)	(5.7)

Major Shareholders

	%
Consolidated Teh Holdings Sdn Bhd	21.4
EPF	17.9

FY25F NAV/Share (RM)	3.06
FY25F CAR Tier -1 (%)	15.1

Price Chart



Source: Bloomberg

Company Description

Public Bank is the third-largest domestic banking group in Malaysia by assets with about 14.8% of system assets and 16.2% loan market share.

- **Commendable pre-provision operating profit growth.** The flat 9M25 performance reflected higher provisions from a low base offsetting a 6% yoy rise in pre-provision operating profit. 3Q25 contraction was driven by credit cost normalisation after a net write-back in 3Q24, while pre-provision profit grew 4% yoy, supported by positive operating JAWS, strong trading gains and maiden contribution from LPI.
- **3Q25 sequential earnings growth despite impact of OPR cut.** 3Q25 earnings rose a solid 5% qoq despite an 8bp qoq NIM compression following July's 25bp OPR cut. Growth was supported by a robust 19% qoq increase in non-interest income - driven by unit trust income (+17% qoq) and trading income (+21% qoq) - alongside lower net credit cost of 1bp (2Q25: 3bp) as asset quality remains benign coupled with loan recoveries from its Hong Kong operations.
- **Asset quality remains solid.** GIL ratio improved slightly to 0.52% (2Q25: 0.54%), with domestic GIL at 0.4%. Loan-loss coverage remained robust at 154% (industry: 91%), rising sequentially to 244% including regulatory reserves (2Q25: 238%). With benign asset quality and strong provision buffers, 3Q25 net credit cost fell to 1bp (2Q25: 3bp), bringing 9M25 net credit cost to 3bp, slightly below our full-year forecast of 4bp. Management overlays stood at RM1.0b. The group has written back a total of RM300m in 9M25.
- **Potential capital management upside?** Management expects a potential CET1 uplift of 0.5–1.0ppt with Basel 3 reforms adoption next year. Assuming a mid-point of 0.8ppt, CET1 could reach 14.9% in 2026. Our simulations suggest the bank could raise its dividend payout ratio to 68% while maintaining a healthy 14.5% CET1 after Basel 4, vs our base-case assumption of 60%, which could potentially lift dividend yield to 6.3% from 5.6% for 2026. Management concurred that the adoption of Basel 3 reforms does provide flexibility for capital management.
- **Public Bank is retaining its 2025 key guidance:** a) ROE: 12.5-13.0%, b) loan growth: 5-6%, c) deposit growth: 5-6%, d) net credit cost: single digit, e) NIM: mid-to-high single-digit compression, and f) dividend payout ratio of 60%.

Valuation/Recommendation

- **Maintain BUY and target price of RM5.25 (1.66x 2026F P/B, ROE: 12.6%)** We remain positive on Public Bank as its valuation has de-rated to near pandemic lows (-1.5SD below its historical mean P/B). Additionally, its robust provision buffers present potential for significant write-backs, which are not yet reflected in our or consensus estimates.

Earnings Revision/Risk

- No revision to earnings.
- Risks: a) Lower-than-expected NIM from intense loan and deposit competition, b) weaker-than-expected capital markets impacting unit trust income, and c) weaker-than-expected macro environment impacting asset quality and loans growth.

Share Price Catalyst

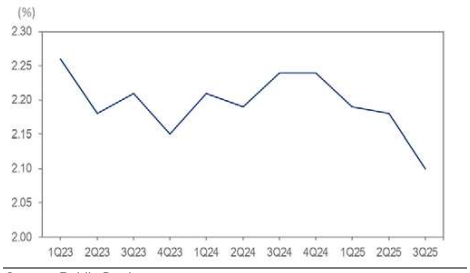
- Non-interest income upside from stronger-than-expected wealth management in an improving risk-on environment.
- Provision writebacks from robust provision buffers.
- Capital management upside.

Key Assumptions

(%)	2025F	2026F	2027F
Loan Growth	*5.0*	*5.5*	*6.2*
Credit Cost (bp)	*4.0*	*2.0*	*1.0*
ROE	*12.3*	*12.6*	*12.8*

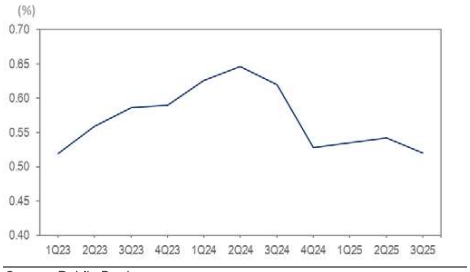
Source: Public Bank

Public Bank NIM Trend



Source: Public Bank

Public Bank GIL Ratio Trend



Source: Public Bank

Environmental, Social, Governance (ESG) Updates

• **Environmental**
- **Green loan commitment.** Launched a campaign in 2020 offering preferential rates for selected energy efficient vehicles (EEV) under its AITAB Hire Purchase-i, to promote the usage of EEVs.
- **Paperless initiative.** Moving towards paperless operations with its enhanced Go Green initiatives in its daily operations, such as migrating reports to online verification module, issuing electronic statements and notices as well as introducing electronic signatures (eSignature) in new deposit account openings.
• **Social**
- **Board and upper management gender diversity.** Maintained 33% female directors on the Board and 48% for top and senior management.
• **Governance**
- **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors – 55%.

Source: Public Bank, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Interest income	18,871	17,103	18,091	19,149
Interest expense	(9,420)	(7,332)	(7,749)	(8,216)
Net interest income	**9,451**	**9,770**	**10,342**	**10,932**
Fees & commissions	2,187	2,253	2,365	2,484
Net Trading Income	636	779	816	854
Other income	2,823	3,032	3,181	3,337
Income from Islamic banking	1,707	1,792	1,882	1,976
Total income	**13,981**	**14,595**	**15,405**	**16,246**
Staff costs	(3,551)	(3,800)	(4,104)	(4,432)
Other operating expense	(1,277)	(1,324)	(1,373)	(1,423)
Pre-provision profit	9,153	9,471	9,929	10,391
Loan loss provision	(1)	(180)	(95)	(50)
Other provisions	(492)	0	0	0
Associated companies	241	150	165	182
Pre-tax profit	8,902	9,442	9,999	10,522
Tax	(1,913)	(2,077)	(2,200)	(2,315)
Minorities	128	(90)	(90)	(90)
Net profit	**7,118**	**7,274**	**7,709**	**8,117**
Net profit (adj.)	7,118	7,274	7,709	8,117

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Cash with central bank	7,650	8,975	9,514	10,085
Govt treasury bills & securities	24,039	24,520	25,010	25,511
Interbank loans	0	0	0	0
Customer loans	420,472	444,486	470,508	498,092
Investment securities	62,883	67,819	73,105	78,768
Derivative receivables	568	661	754	848
Associates & JVs	384	431	475	521
Fixed assets (incl. prop.)	1,273	1,473	1,673	1,873
Other assets	25,593	25,957	33,093	46,650
Total assets	**542,863**	**574,322**	**614,133**	**662,347**
Interbank deposits	13,458	14,371	15,346	16,387
Customer deposits	433,264	457,094	485,434	515,531
Derivative payables	263	269	274	280
Debt equivalents	353	318	286	257
Other liabilities	35,878	40,587	48,962	63,813
Total liabilities	**483,216**	**512,638**	**550,302**	**596,268**
Shareholders' funds	**57,335**	**59,283**	**61,340**	**63,497**
Minority interest - accumulated	2,311	2,401	2,491	2,581
Total equity & liabilities	**542,863**	**574,322**	**614,133**	**662,347**

Operating Ratios

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	14.3	15.1	15.3	14.7
Total CAR	14.3	17.2	17.3	16.6
Total assets/equity (x)	9.5	9.7	10.0	10.4
Tangible assets/tangible common equity (x)	9.9	10.2	10.5	11.0
Asset Quality				
NPL ratio	0.5	0.5	0.5	0.5
Loan loss coverage	166.2	184.1	205.7	235.9
Loan loss reserve/gross loans	0.9	1.0	1.1	1.2
Increase in NPLs	(4.7)	4.7	8.3	3.3
Credit cost (bp)	11.6	4.0	2.0	1.0
Liquidity				
Loan/deposit ratio	97.0	97.2	96.9	96.6
Liquid assets/short-term liabilities	7.1	7.1	6.9	6.7
Liquid assets/total assets	5.8	5.8	5.6	5.4

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net interest income, yoy chg	4.4	3.4	5.9	5.7
Fees & commissions, yoy chg	12.2	3.0	5.0	5.0
Pre-provision profit, yoy chg	5.5	3.5	4.8	4.7
Net profit, yoy chg	7.0	2.2	6.0	5.3
Net profit (adj.), yoy chg	(0.3)	2.2	6.0	5.3
Customer loans, yoy chg	6.5	5.7	5.9	5.9
Customer deposits, yoy chg	4.9	5.5	6.2	6.2
Profitability				
Net interest margin	2.2	2.1	2.1	2.1
Cost/income ratio	34.5	35.1	35.5	36.0
Adjusted ROA	1.3	1.3	1.3	1.3
Reported ROE	12.4	12.3	12.6	12.8
Adjusted ROE	12.4	12.3	12.6	12.8
Valuation				
P/BV (x)	1.5	1.5	1.4	1.4
P/NTA (x)	1.6	1.5	1.5	1.5
Adjusted P/E (x)	12.2	12.0	11.3	10.7
Dividend Yield	4.2	5.0	5.3	5.6
Payout ratio	51.8	60.0	60.0	60.0

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